

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

**NOTE 15 - LEGAL MATTERS/CONTINGENT LIABILITIES**

**Primary Government**

There is no litigation currently pending or probable of assertion against King County in which, to our knowledge, the likelihood of an unfavorable outcome with material damages (in excess of \$500,000) assessed against King County is probable, as explained in Paragraph 5.2 of the Commentary to the ABA Statement of Policy Regarding Lawyers' Responses to Auditors' Requests for Information (February 1990) and Financial Accounting Standards Board Statement 5, *Accounting for Contingencies*.

The following litigation, or threatened litigation, may involve claims for material damages against King County for which the County is unable to provide an opinion as to the ultimate outcome or the amount of damages that may be found:

- A federal declaratory judgment action filed by a contractor (by substitution) who worked on the Alki Transfer/CSO project contract alleging \$1 million in claims for adjustments to the contract sums.
- A class action lawsuit alleging violation of County ordinances and state law regarding plaintiffs' salary and employment with the County. Plaintiffs seek remuneration in the form of back pay, prejudgment interest, double damages, and attorneys' fees on behalf of an uncertified class. The case has been remanded to the Superior Court after the Washington Supreme Court denied the County's motion for discretionary review.
- A lawsuit by a group of part-time transit operators alleging they were denied certain employment benefits and are seeking back pay, prejudgment interest, double damages, and attorneys' fees. This was the second lawsuit filed by the same plaintiffs following the denial of their appeal with the Superior Court, which determined that they are not eligible for damages under the Logan vs. King County settlement agreement.
- A class action lawsuit alleging violation of state law regarding payment of wages to hourly employees in the King County Sheriff's Office. Plaintiffs are seeking double damages, prejudgment interest, and attorney's fees.
- A lawsuit filed by County employees claiming the County owes them retroactive pay for a certain time interval. Plaintiffs also seek attorney's fees and double damages.
- Two separate notices of intent to sue received by the County related to sedimentation problems in Coal Creek Park, which is owned by the County. These cases allege violations of three federal acts: the Federal Clean Water Act, Endangered Species Act, and Solid Waste Disposal Act, and other state statutes. Plaintiffs seek injunctive relief to existing and possible future occurrences and a claim for damages in the amount of \$760,000 for costs of dredging and disposing of sediment materials, which settled on private property.
- A classification lawsuit alleging violation of state law regarding payment of wages for employees paid under the MSA payroll system. Plaintiffs seek back pay, prejudgment interest, double damages, attorney's fees, and injunctive relief on behalf of an uncertified class.
- A class action lawsuit alleging violation of the Washington Industrial Welfare Act regarding the provision of paid lunch breaks for certain employees of the Department of Adult and Juvenile Detention. Plaintiffs seek back pay, double damages, prejudgment interest, attorneys' fees, and declaratory relief.

**NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2002**

**NOTE 15 - CONTINUED**

- A lawsuit by a property owner contesting the land use designation assigned by the County to his property under the King County Comprehensive Plan. Plaintiff claims that the designation as agricultural resource land is not consistent with the surrounding property, which is predominantly light industrial, and has the effect of inversely condemning his property. He seeks damages equivalent to the difference of the property value under the agricultural designation and the value under the light industrial designation.
- A lawsuit arising out of the South Interceptor Parallel – Phase III project filed by a contractor against King County and Puget Sound Energy. Originally, the contractor filed a claim for \$2.2 million against the County due to incidental damages that arose out of the County's sewer project. The County has, in turn, presented substantially the same claim and tendered the defense of the lawsuit to the contractor's insurers.
- A class action lawsuit alleging the County failed to properly compensate transit operators for travel time. Class seeks back wages, double damages, and attorneys fees.
- A class action lawsuit challenging the legality of the permit review fees assessed by the County's Department of Development and Environmental Services. Plaintiffs seek declaratory and injunctive relief and a refund of fees that were allegedly overcharged.

**Contingent Liabilities**

King County has entered into several contingent loan agreements totaling \$51,515,000 with the King County Housing Authority (KCHA) and other owners/developers of affordable housing. The County has provided credit support in the form of reserve guarantees for certain bonds issued by KCHA. All projects are currently self-supporting and the County has made no loans pursuant to these agreements.

**Component Unit - Harborview Medical Center**

Harborview Medical Center (HMC) is involved in litigation arising in the course of business. It is HMC management's opinion, however, that these matters will be resolved without material adverse effect to HMC's future financial position or results of operations.

The current regulatory environment in the healthcare industry is one of increasing governmental activity with respect to investigations and allegations concerning possible violations of regulations by healthcare providers that could result in the imposition of significant fines and penalties, including significant repayments of patient services previously billed. HMC management believes that it complies with the fraud and abuse regulations, as well as other laws and regulations. Compliance with such laws and regulations can be subject to future government review and interpretation and regulatory actions unknown or unasserted at this time.

HMC is operated by the University of Washington under a management and operations contract with King County. In this contract, the University of Washington agrees to defend, indemnify and save harmless King County, its elected and appointed officials, employees, and agents from and against any damage, cost, claim, or liability arising out of the negligent acts or omissions of the University, its employees or agents, or arising out of the activities or operations of the medical center.